

PUBLIC DISCLOSURE

APRIL 26, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LUZO COMMUNITY BANK

160 COUNTY STREET
NEW BEDFORD, MASSACHUSETTS 02740

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MASSACHUSETTS 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **LUZO COMMUNITY BANK** (the "Bank") prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Based on the five criteria specified for institutions with assets under \$250 million, the Bank's overall CRA performance is considered Satisfactory. The Bank's loan-to-deposit ratio stood at 53.2 percent as of December 31, 2003, and has averaged 48.7 percent over the last 8 quarters. The Bank meets the standards for satisfactory performance based on its size, customer credit needs, and the competitive market in which it operates.

Mortgage loan data for calendar years 2002 and 2003, indicates that the Bank originates the majority of its residential mortgages and small business loans within the assessment area. The Bank exceeds the standards for satisfactory performance in this category.

The Bank's performance in lending to borrowers of different income levels, especially low- and moderate-income borrowers, is considered to be good when compared to the aggregate lending performance among low- and moderate-income borrowers and the distribution of low- and moderate-income families within the assessment area. Low- and moderate-income families represent 41.4 percent of total families within the assessment area. Also, the majority of small business loans were originated to businesses with revenues of less than \$1 million.

Based on the analysis of the geographic distribution of residential and small business loans the Bank's performance is considered to meet the standards for satisfactory performance. Finally, based on a review of the Bank's CRA-related complaint file and fair lending policies and practices, no evidence of any discriminatory practices was noted. An overall rating of "Satisfactory" was given.

PERFORMANCE CONTEXT

Description of Institution

Luzo Community Bank is a state-chartered stock-owned institution incorporated under the laws of the Commonwealth of Massachusetts in 1919. The Bank is a subsidiary of the New Bedford Community Bancorp and is not affiliated with any other institution. The Bank is headquartered at 160 County Street in the City of New Bedford, in a low-income census tract. The Bank also has a branch office located at 1724 Acushnet Avenue in New Bedford. This full-service facility is located in a moderate-income census tract. Bank hours of operation are from 9:00 am to 3:00 pm on Monday and Tuesday, with extended hours on Thursday and Friday evening. Hours of operation compare favorably to those of competing institutions. Both offices provide extended business hours on Saturday from 9:00 a.m. to Noon. Both offices also provide drive-up teller services, with business hours beginning at 7:30 am and ending one hour after the lobby closes Monday through Saturday. However, the Bank does not offer typical customer banking conveniences such as automatic teller machines (ATM), debit cards, website, or telephone banking service.

The Bank faces competition from other institutions that operate within the assessment area. Other participants within the Bank's competitive mortgage market include large national and regional lenders, such as Wells Fargo Home Mortgage, and Fleet National Bank. Locally, the Bank's competitors include Compass Bank For Savings, and St Anne's Credit Union of Fall River. The Bank also encounters competition from other bank and non-bank mortgage lenders that operate in the local area.

As of December 31, 2003, the Bank had total assets of \$70.9 million. Total loans were \$34,747 as of that date. The major portion of the Bank's loan portfolio is concentrated in three categories, with 43.4 percent represented by loans secured by residential properties, 27 percent secured by nonfarm nonresidential properties, and 24.6 percent secured by commercial loans.

Loan products offered by the Bank include the following: first and second mortgages; multi-family residential loans; commercial real estate loans; small business loans; home improvement loans; home equity loans; personal loans; automobile loans; and consumer installment loans.

The Bank is a small institution established primarily to serve the Portuguese community in the Greater New Bedford area.

The Bank has a two-member CRA committee that meets annually to review the CRA policy and the appropriateness of the Bank's delineated assessment area.

Description of Institution (continued)

The Federal Deposit Insurance Corporation (FDIC) last examined the Bank for compliance with CRA on June 10, 2002. That examination resulted in a CRA rating of "Satisfactory." The previous CRA examination conducted by the Division on June 9, 1998, resulted in a CRA rating of "Outstanding."

Other than the Bank's small asset size, there are no apparent financial concerns or other factors that would prevent the Bank from serving the financial needs of its assessment area.

Description of Assessment Area

The Bank's assessment area is comprised of 4 municipalities, all of which are located in the New Bedford Metropolitan Statistical Area (MSA). These municipalities include the following: the City of New Bedford, and the Towns of Acushnet, Dartmouth, and Fairhaven. The City of New Bedford is geographically situated approximately 60 miles south of Boston, with the remaining assessment area's communities adjacent to New Bedford.

Based on 1990 U.S. Census data, the U.S. Department of Housing and Urban Development (HUD) median family income for the New Bedford MSA was \$33,927. Subsequently, HUD makes annual adjustments of MSA median family income figures. The adjusted median family incomes for the MSA for 2002 and 2003 are shown in the table below. Based upon the definitions of the various income levels, the adjusted figures for low-income individuals and moderate-income individuals are also indicated in the following table.

Annual Income		Adjusted Annual Income Levels	
New Bedford MSA	Amount	Low-income <50% MSA MFI	Moderate-income 50%-79% MSA MFI
Year: 2002	\$47,500	\$23,749	\$23,750-\$37,999
Year: 2003	\$52,700	\$26,349	\$26,350-\$42,159

¹Median Family Income

Assessment Area 2002

Based on census data for 1990, the assessment area is comprised of 41 census tracts. The breakdown of the tracts are as follows: one (2.4 percent) low-income; 13 (31.7 percent) moderate-income; 23 (56.1 percent) middle-income; 3 (7.3 percent) upper-income; and one (2.4 percent) tract with no income designation. New Bedford contains the most census tracts, including one low-income census tract, 13 moderate-income census tracts, 16 middle-income census tracts, and one upper-income census tract. Census tract 6518.99 has no income designation and is the location of a ship in New Bedford.

Assessment Area 2002 (continued)

Census demographic data obtained from CRA WIZ indicates that the Bank's assessment area contains a total population of 152,852 individuals. There are 62,368 housing units within the assessment area. Owner-occupied units represent 50.8 percent of the total housing units. Rental units and vacant units represent 41.8 percent and 7.4 percent of the total housing units, respectively. Households living below the poverty level represent 14.2 percent of total households.

The following table provides demographic and economic information pertaining to the Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	House- holds	Housing Units	Owner- Occupied	Rental Units	Vacant Units	
Low	2.4	2.0	2.1	0.8	3.4	3.2	89,100
Moderate	31.8	26.7	27.0	13.1	43.3	30.4	102,291
Middle	56.1	60.4	59.8	70.2	48.5	52.7	124,013
Upper	7.3	10.9	11.1	15.9	4.8	13.6	156,150
N/A	2.4	0.0	0.0	0.0	0.0	0.0	0
Total of Median	100.0	100.0	100.0	100.0	100.0	100.0	127,946

Source: 1990 U.S. Census

Assessment Area 2003

Based on census data for 2000, the assessment area is comprised of 43 census tracts. The breakdown of the tracts are as follows: 7 (16.3 percent) low-income; 14 (32.6 percent) moderate-income; 14 (32.6 percent) middle-income; 8 (18.6 percent) upper-income. The 7 low-income census tracts are located in the Cities of New Bedford. The 14 moderate-income census tracts are located in New Bedford.

Census demographic data obtained from CRA WIZ indicate that the Bank's assessment area contains a total population of 150,754 individuals. Since 1990, the assessment area's overall population decreased slightly by 1.4 percent. There are 63,949 housing units within the assessment area. Owner-occupied units represent 52.0 percent of the total housing units. Rental units and vacant units represent 40.5 percent and 7.5 percent of the total housing units, respectively. Households living below the poverty level represent 16.3 percent of total households.

Assessment Area 2003 (continued)

The following table provides demographic and economic information pertaining to the Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	House-Holds	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	16.2	13.3	13.8	5.0	23.9	20.4	101,711
Moderate	32.6	28.4	28.9	18.4	40.9	36.3	105,481
Middle	32.6	38.5	37.2	47.1	27.8	19.1	126,885
Upper	18.6	19.8	20.1	29.5	7.4	24.3	161,930
N/A	0	0.0	0	0.0	0.0	0.0	0
Total of Median	100.0	100.0	100.0	100.0	100.0	100.0	135,596

Source: 2000 U.S. Census

Change in Demographics

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of the Banks assessment area by census tract income groupings. This information is being included as a precursor for future examinations, as well as for the Bank's future reference. In addition, the percentage change in the number of census tracts by income grouping is also reflected.

Change in Assessment Area Demographics					
Census Tracts	1990 Census Data		2000 Census Data		% Change in Number of Census Tracts
	#	%	#	%	
Low	1	2.0	7	16.0	600
Moderate	13	32.0	14	33.0	7.7
Middle	23	57.0	14	33.0	-64.3
Upper	3	7.0	8	18.0	166
NA	1	2.0	0	0.0	-100.0
Totals	41	100.0	43	100.0	4.87

Source: PCI Services, Inc. CRA Wiz Software

Of the 4 municipalities in the assessment area three had two or more changes in the characteristics of its census tracts. The eliminated census tract with no income designation consists of a ship in New Bedford.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Based upon the Banks asset size, its capacity to lend, and the credit needs of its customers, the institution's net loan-to-deposit ratio meets the standards for satisfactory performance.

An analysis of the Bank's net loan-to-deposit (LTD) ratio was performed during the examination. The analysis utilized the last eight quarters of the Federal Financial Institutions Examination Council (FFIEC) Call Report data for this institution. The Bank's net loans to total deposits, as reported to the FFIEC, were reviewed for the quarters ending March 31, 2002 through December 31, 2003. Total loans fluctuated from a low of \$29.9 million, as of March 31, 2003, to a high of \$34.7 million, as of December 31, 2003. The data indicates that for the period reviewed, the Bank's net LTD ratios averaged a modest 48.7 percent for the period reviewed. Call report data for this period indicates that total loans increased by approximately 10.9 percent, while total deposits increased by approximately 5.6 percent. Growth in the loan portfolio is attributed primarily to commercial and industrial loan activity.

The Bank's net LTD ratio, compared to three other institutions for fourth quarter 2003, is indicated in the following table. As the following table indicates, the Bank's LTD ratio is below similarly situated state chartered institutions.

Net Loans-to-Deposits as of December 31, 2003			
Institution	Net Loans (\$000)	Deposits (\$000)	% LTD
St. Anne Credit Union	12,189	13,531	90.0
Easton Co-operative Bank	47,824	70,414	67.9
Mechanics Co-operative Bank	62,229	106,305	58.5
Luzo Community Bank	34,032	64,013	53.2

Source: Call Report Data

Based on the preceding information, the Bank's net loans-to-deposit ratio is considered to be adequate.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Based upon the analysis of HMDA data, the Bank's level of lending within the assessment area exceeds the standards for satisfactory performance.

HMDA Loans

HMDA-reportable residential loans were used to compare the institution's level of lending activity inside the assessment area. This data was also used to compare the level of lending outside the assessment area. These loans consisted of first and second mortgages and home improvement loans on one to four family properties. Refinanced mortgages represented 68.5 percent of total loans on residential properties.

According to the institution's HMDA data, the Bank originated 73 loans in the two-year period reviewed. Of this total, 67 loans were originated inside the Bank's assessment area representing 91.8 percent of the total number, or 86.0 percent of the total dollar volume of \$10.2 million. Refer to the following table for a breakdown of loan activity by year.

Distribution of HMDA Loans Inside and Outside of the Assessment Area										
Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2002	29	96.7	1	3.3	30	3,701	98.0	75	2.0	3,776
2003	38	88.4	5	11.6	43	5,032	78.8	1,350	21.2	6,382
Total	67	91.8	6	8.2	73	8,733	86.0	1,425	14.0	10,158

Source: HMDA LAR, CRA Wiz (2002-2003)

The data presented above for HMDA-reportable loans indicates that the Bank extends the majority its loans, by number and dollar volume, within the assessment area. The overall rate of lending within the assessment area is at a high level.

Market share data for 2002 was also reviewed with respect to this performance criterion. The data is based on loan information submitted to the Federal Reserve by all HMDA reporters. In 2002, there were 286 lenders that originated and purchased a total of 10,438 HMDA-reportable loans within the assessment area. Calendar year 2002 information is the latest available data for comparison. The Bank ranked 52nd with a .28 percent market share at that time. The top positions were held by Compass Bank for Savings and Fleet National Bank with a market share of 8.2 percent and 8.1 percent, respectively.

The Bank has made an impact on loan volume within its assessment area due to the drop in interest rates. The Bank's lending volume increased during 2003, mostly due to refinanced loans as a result of lower interest rates.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S) (continued)

Small Business Loans

The Bank originated 59 small business loans for a dollar total of \$14.8 million. Of the total small business loans, 89.9 percent of the total number and 86.7 percent of the dollar volume was originated within the assessment area. Similar to HMDA lending, the Bank's percentage of lending within the assessment area is consistently strong. Refer to the following table for more detailed information.

Distribution of Small Business Loans Inside and Outside of the Assessment Area										
Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2002	25	86.2	4	13.8	29	4,811	80.4	1,175	19.6	5,986
2003	28	93.3	2	6.7	30	8,057	91.0	800	9.0	8,857
Total	53	89.8	6	10.2	59	12,868	86.7	1,975	13.3	14,843

Source: CRA Data Collection

3. LENDING TO BORROWERS OF DIFFERENT INCOMES

The distribution of residential loans to borrowers of different income levels and businesses with revenues of less than \$1 million and loan amounts that benefit smaller businesses reflects good penetration. Based upon this analysis, the Bank's efforts meet the standards for satisfactory performance.

HMDA Loans

The analysis of borrower income level was identified as the ratio of borrower income to the median family income¹ for the assessment area towns located within the New Bedford MSA. The median family income is based upon estimated 2002 and 2003 HUD information for the MSA. The 2002 median family income for the New Bedford MSA is \$47,500. The 2003 median family income for the New Bedford MSA is \$52,700.

¹ As defined by the U.S. Department of Housing and Urban Development (HUD) Low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as an income level that is 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as an income level that is 80 percent to less than 120 percent of the MSA median family income, while upper-income is defined as an income level that is equal to or greater than 120 percent of the MSA's median family income.

LENDING TO BORROWERS OF DIFFERENT INCOMES

HMDA Loans (continued)

The distribution of loans reflects good penetration among borrowers of different income levels. For comparison purposes, the distribution of the assessment area's 41,042 families by borrower income level and 2002 aggregate data is indicated in the following table.

Distribution of Numbers of HMDA Loans by Borrower Income								
Median Family Income Level	% Families	Aggregate Lending Data (% of #)	2002		2003		Total	
		2002	#	%	#	%	#	%
Low	24.3	2.0	2	6.9	5	13.2	7	10.4
Moderate	17.1	11.7	4	13.8	10	26.3	14	20.9
Middle	22.8	23.3	7	24.1	9	23.7	16	23.9
Upper	35.8	46.6	13	44.8	13	34.2	26	38.8
NA	0.0	16.4	3	10.4	1	2.6	4	6.0
Total	100.0	100.0	29	100.0	38	100.0	67	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

Distribution of Dollar Volume of HMDA Loans by Borrower Income								
Median Family Income Level	% Families	Aggregate Lending Data (% of \$)	2002		2003		Total	
		2002	\$(000)	%	\$(000)	%	\$(000)	%
Low	24.3	1.2	165	4.5	228	4.5	393	4.5
Moderate	17.1	8.5	275	7.4	1,192	23.7	1,467	16.8
Middle	22.8	20.9	674	18.2	1,026	20.4	1,700	19.5
Upper	35.8	54.0	1,619	43.7	2,236	44.4	3,855	44.1
NA	0.0	15.4	968	26.2	350	7.0	1,318	15.1
Total	100.0	100.0	3,701	100.0	5,032	100.0	8,733	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

The overall concentration of the Bank's residential mortgage loans is higher among upper-income borrowers. As indicated in the above table, this is consistent with the distribution of total families within the assessment area. The Bank's loan distribution in 2002 is higher than that of the aggregate for low- and moderate-income borrowers. Overall, the number of loans made to moderate-income borrowers was higher than the percent of moderate-income families, and the dollar volume was consistent with the percentage of moderate-income families within the assessment area. The penetration among low- and moderate-income borrowers is considered reasonable in spite of the fact that approximately 11 percent of the families are living below the poverty level. Nevertheless, the Bank's level of lending among moderate-income borrowers increased significantly for 2003. Based on this showing, the Bank has maintained a good level of activity in loans to low- and moderate-income borrowers.

LENDING TO BORROWERS OF DIFFERENT INCOMES (continued)

Small Business Loans

The Bank's small business data indicated that the majority of small business loans originated during the period reviewed were granted to businesses with gross annual revenues of less than \$1,000,000. The number and percentage of loans to businesses with revenues of \$1,000,000 or less increased slightly in 2003. Of the 53 loans originated by the Bank, 88.7 percent were originated to businesses with gross annual revenues of less than \$1 million. This percentage is considered reasonable since 90.5 percent of the businesses within the assessment area that reported revenue size have gross annual revenues of less than \$1 million.

Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	2002		2003		Total	
	#	%	#	%	#	%
<= \$1,000	22	88.0	25	89.3	47	88.7
> \$1,000	3	12.0	3	10.7	6	11.3
Total	25	100.0	28	100.0	53	100.0

Source: CRA Data Collection

The amount of small business loans by dollar amount indicates that 76.2 percent have gone to businesses with revenues of less than \$1,000,000. The percentage for both number and dollar volume of loans to businesses with gross annual revenues of less than \$1 million increased slightly since the last CRA evaluation, which was conducted by the FDIC on June 10, 2002.

Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	2002		2003		Total	
	\$	%	\$	%	\$	%
<= \$1,000	3,451	71.7	6,354	78.9	9,805	76.2
> \$1,000	1,360	28.3	1,703	21.1	3,063	23.8
Total	4,811	100.0	8,057	100.0	12,868	100.0

Source: CRA Data Collection

The distribution of small business loans by loan size was analyzed. As the following table indicates, the loans were evenly distributed among the various categories for the review period. This level of lending reflects the Bank's commitment to serving the diverse credit needs of businesses, regardless of loan size, within the assessment area. Refer to the following table.

Distribution of Small Business Loans by Loan Size						
Loan Size (000s)	2002		2003		Total	
	#	%	#	%	#	%
< \$100	10	40.0	8	28.6	18	34.0
\$100 - \$250	8	32.0	10	35.7	18	34.0
> \$250 - \$1,000	7	28.0	10	35.7	17	32.0
Total	25	100.0	28	100.0	53	100.0

Source: CRA Data Collection

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The analysis of the geographic distribution of residential and small business loans, and a comparative analysis of 2002 HMDA aggregate data, indicate that the Bank's efforts meet the standards for satisfactory performance.

HMDA Loans

The following table notes the number of residential loans originated within the assessment area by census tract classification. This data indicates that 5 loans, or 7.5 percent, were originated in the assessment area's low-income tracts for the period reviewed. Also, the following tables indicate that 17.9 percent of the number, and 13.8 percent of the dollar volume, were originated in the assessment area's moderate-income tracts. By comparison, the number and dollar amount figures are higher than the owner-occupancy housing rate within the low- and moderate-income tract categories. In addition, the distribution of the Bank's loans within the low- and moderate-income census tract categories for 2002 compares favorably to, and in the case of loans within low-income tracts, surpasses that of the aggregate lending data. Refer to the following tables for further detail.

Distribution of Number of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Total Owner-Occupied Housing Units	Aggregate Lending Data(% of #)	2002		2003		Total	
			#	%	#	%	#	%
Low	0.8	0.9	1	3.4	4	10.5	5	7.5
Moderate	13.1	14.1	2	6.9	10	26.3	12	17.9
Middle	70.2	68.2	23	79.3	13	34.2	36	53.7
Upper	15.9	16.8	3	10.4	11	28.9	14	20.9
Total	100.0	100.0	29	100.0	38	100.0	67	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

Distribution of Dollar Volume of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Total Owner-Occupied Housing Units	Aggregate Lending Data(% of \$)	2002		2003		Total	
			\$(000)	%	\$(000)	%	\$(000)	%
Low	0.8	0.7	70	1.9	213	4.2	283	3.3
Moderate	13.1	12.0	111	3.0	1,096	21.8	1,207	13.8
Middle	70.2	65.4	3,008	81.3	1,379	27.4	4,387	50.2
Upper	15.9	21.9	512	13.8	2,344	46.6	2,856	32.7
Total	100.0	100.0	3,701	100.0	5,032	100.0	8,733	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

Small Business Loans

The penetration of small business loans within census tracts of different income levels is considered good. The following table indicates the distribution of the Bank's small business loans originated within the assessment area by number of loans. For comparison purposes, the following table also includes a breakdown by percentage of the 6,920 small businesses that operate within the four census tract categories.

Distribution of Small Business Loans by Income Category of the Census Tract							
Census Tract Income Level	% of Total Number of Small Businesses	2002		2003		Total	
		#	%	#	%	#	%
Low	1.2	0	0.0	6	21.4	6	11.3
Moderate	26.2	9	36.0	7	25.0	16	30.2
Middle	62.2	11	44.0	10	35.7	21	39.6
Upper	10.4	5	20.0	5	17.9	10	18.9
Total	100.0	25	100.0	28	100.0	53	100.0

Source: CRA data collection, 2002 Geodemographic Data

The major portion of the local business and development is located within the assessment area's middle-income geographies. Overall the geographic distribution of the Bank's small business loans among census tracts of different income levels is more than the level of business development within the assessment area's low- and moderate-income census tracts. Small business loans originated within low- and moderate-income tracts represented 11.3 percent and 30.2 percent, respectively, of the Bank's total small business loans originated within the assessment area.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, the Bank meets the standards for satisfactory performance.

The Bank's fair lending data was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. A thorough review of the public comment file revealed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. Sample reviews of the Bank's approved residential loan application files were conducted to check for fair lending issues. No discriminatory practices were noted.

The Bank maintains a Fair Policy Statement that meets the requirements of Regulatory Bulletin 2.3-101.

REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES (continued)

The Bank's staff is comprised of 31 employees. The Bank's employees are mostly bi-lingual and are primarily fluent in Portuguese and English. Other languages spoken in addition to English include French, Chinese, Thai, and East Indian.

The Bank's means of marketing and promoting credit services focuses primarily on existing customers by way of direct mail, statement stuffers, and lobby handouts. Print media is also utilized, including English and Portuguese language newspapers, such as The Standard Times and The Portuguese Times. In addition, local radio and television media are utilized.

The Bank's policy and procedures for completing a credit application were reviewed and no discriminatory practices were noted. The review identified no violations of the substantive provisions of any anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications received from minority applicants. Between January 1, 2002 and December 31, 2003, the Bank received 74 residential loan applications from within its assessment area. During this period, 5 applications were received from minority applicants. Of the 5 applications received from minority applicants, all of the loans were granted. Refer to the following table for further details.

Minority Application Flow*								
Race	Aggregate Data 2002		Bank 2002		Bank 2003		Bank Total	
	#	%	#	%	#	%	#	%
Native American	39	0.3	0	0.0	0	0.0	0	0.0
Asian	58	0.4	2	5.7	0	0.0	2	2.7
Black	277	1.9	0	0.0	0	0.0	0	0.0
Hispanic	317	2.1	1	2.9	0	0.0	1	1.4
Joint	158	1.0	1	2.9	0	0.0	1	1.4
Other	254	1.7	0	0.0	1	2.6	1	1.4
Total Minority	1,103	7.4	4	11.5	1	2.6	5	6.8
White	9,201	61.6	31	88.5	38	97.4	69	93.2
NA	4,639	31.0	0	0.0	0	0.0	0	0.0
Total	14,943	100.0	35	100.0	39	100.0	74	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

The Bank's minority application flow for this period was compared with the racial makeup of the assessment area and the 2002 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications received from minority credit applicants.

MINORITY APPLICATION FLOW (continued)

According to 1990 Census Data, the Bank's assessment area contained a total population of 152,852 individuals, 10.7 percent of which is representative of various minority groups. By comparison, the Bank's minority application flow of 1.4 percent does not meet the reasonable expectations when compared to the application flow of the aggregate data, which shows a minority application flow of 7.4 percent, and the percentage of the minority population within the assessment area.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

LUZO COMMUNITY BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **April 26, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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_____	_____
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_____	_____

A majority of the Board of Directors

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.